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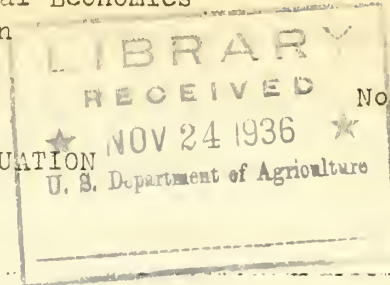
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THE HOG SITUATION



November 1936

This is the first issue of The Hog Situation, one of a new series of monthly commodity reports to be released by the Bureau of Agricultural Economics. This report will be sent to those who formerly received World Hog and Pork Prospects, the publication of which has been discontinued. The Hog Situation will provide current information on changes in the factors which affect the outlook for production and prices of hogs and hog products. Additional information on the hog situation in foreign countries will appear from time to time in Foreign Crops and Markets which is issued weekly by this Bureau. The present form of this report is experimental. Comments, criticisms and suggestions would be welcome.

Summary

Hog prices have declined since late August in response to a seasonal increase in marketings. The average price per 100 pounds of packers and shippers at Chicago in October at \$9.55 per 100 pounds was 34 cents lower than in September and 23 cents lower than in October a year ago. The number of hogs slaughtered under Federal inspection increased sharply from 2,400,000 in September to 3,500,000 in October. In October 1935 the number was 2,100,000. This large increase was partly the result of the relatively large spring pig crop of 1936 compared with that of 1935, and partly the result of early marketings of spring pigs following the drought.

Hog prices in the 1936-37 hog-marketing year, which began October 1, are expected to average about the same as or slightly higher than in 1935-36. The seasonal price decline which started in late August apparently has about ended, as prices are now showing a tendency to strengthen. From December to March the price trend will probably be upward. Prices during the summer of 1937 are likely to average higher than in the summer of 1936.

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The number of hogs available for slaughter in the marketing year beginning October 1936 is expected to be larger than in either of the two preceding marketing years; and hog slaughter from October to December is expected to represent a larger than usual proportion of both the marketing year total and the winter total (October to March). High prices of corn in relation to hog prices following the drought have resulted in a fairly heavy liquidation of breeding stock and a relatively small fall pig crop, and will probably cause hog producers to raise fewer pigs in the spring of 1937 than in the spring of 1936. Hog slaughter supplies in the calendar year 1937, therefore, probably will be smaller than in 1936, but probably not as small as in 1935. If corn crop prospects are about normal next year, however, a sharp increase in breeding for the 1937 fall pig crop is likely.

Review of Recent Developments

The seasonal decline in hog prices which began in late August continued through September and October, but apparently has about reached its low point. After continuing downward through October, prices recovered moderately in the first week in November. The decline in the price of butcher hogs beginning in late August was greater than the decline in the price of packing sows. As a result, the margin between these two classes has narrowed considerably since August. Well-finished butchers weighing from 220 to 250 pounds have been unusually scarce, and top prices have been paid for hogs weighing as much as 290 pounds. The discounts on light and unfinished hogs have continued heavy, reflecting further large marketings of these types. However, more of the light-weight hogs showed desirable finish during the last half of October and early November than in previous weeks. Favorable fall pastures and the attractive premiums on finished hogs tended to reduce somewhat the liquidation of unfinished hogs during this period.

Hog marketings increased materially during October. The total slaughter under Federal inspection, 3,492,000 head, was 45 percent larger than in September and 64 percent larger than in October a year earlier. This increase reflects both the larger spring pig crop this year than last and the earlier than usual marketings of spring pigs. The average weight of all hogs at the seven leading markets for the month was 212 pounds compared with 232 in September and 242 in October 1935. The average weight of butcher hogs, although at relatively low levels, has shown little change in recent weeks. The sharp decrease in average weights for all hogs was the result of the decline in the proportion of packing sows and increase in the proportion of light butcher hogs in the total supply. Average weights are now below those for the same period of 1934, when feed supplies were short because of drought in that year.

Wholesale prices of fresh pork declined sharply during October, and in early November were at approximately the lowest levels of the year. Prices of cured products also declined, with those of bacon reaching new low levels for 1936. Prices of most other cured cuts and of lard, however, are still above the low points reached last spring.

Storage holdings of pork and lard were reduced less than the usual amount during October. Stocks of pork on November 1, totaling 352,000,000 pounds, were about 3 percent less than those reported October 1 and 14 percent smaller than the 5-year average for that date, but were 46 percent larger than the very small stocks on hand a year earlier. Lard stocks, totaling 94,000,000 pounds, were about 8 percent smaller than those of October 1, but were 129 percent greater than the very small stocks of a year earlier, and 32 percent larger than the 5-year average for November 1. In most years lard stocks are reduced materially during October. This fall, however, there has been a tendency to reduce stocks rather slowly because of the prospect that lard production later in the marketing year will be relatively small.

Exports of pork totaled 4,200,000 pounds in September, 31 percent less than in August, 10 percent less than in September 1935, and probably the smallest for the month in more than 50 years. Most of the reduction was in cured pork exports to the United Kingdom, the largest part of the decline being in shipments of hams and shoulders to that country. Lard exports in September, totaling 7,900,000 pounds, on the other hand were 28 percent larger than the shipments made in August and about 5 times as large as the unusually small shipments of September a year earlier. The increase in exports of lard to Cuba in September was greater than the increase in exports to the United Kingdom. In the 1935-36 hog marketing year, which ended September 30, total exports of pork were about 34 percent smaller than the total for the preceding marketing year, but were only about one-half as large as in other recent years. Lard exports in 1935-36 were nearly 29 percent smaller than a year earlier, and were the smallest in the 47 years of record.

Prospects Favor Hog Feeders Who Have Grain

For farmers who have sufficient feed, the present is a distinctly favorable time to carry brood sows on farms and to purchase additional feeder pigs. The reported movement of a considerable number of feeder pigs into the South indicates that many Southern hog raisers are taking advantage of the relatively plentiful feed supply available in that area.

Hog prices are now at about their seasonal low point and probably will advance rather sharply from December to March or April. Prices of corn, although at a much higher level than a year earlier, are not likely to advance much further. The hog-corn price ratio, based on Chicago prices of hogs and corn, advanced from 8.8 in September to 9.0 in October. It is probable that hog prices will advance relative to corn prices from December to March or April, thus causing the hog-corn price ratio to become somewhat more favorable for hog producers during this period.

Slaughter supplies of hogs in the 1936-37 season as a whole will be larger than the unusually small supplies for either of the previous two marketing years, chiefly as a result of the 29 percent increase in the spring pig of 1936 over that of 1935. The seasonal distribution of slaughter will be much different from that of 1935-36. Slaughter during the first 3 months, October to December, will be a relatively large proportion of the total for the marketing year. It will be much larger in numbers than in 1935, and may not be greatly different from 1934. Since the average weight of hogs marketed may be at least as light as the extremely light average for the same period in 1934, the total increase in the dressed weight of pork from 1935-36 to 1936-37 probably will not be as great as the increase in hog numbers would indicate. Slaughter in the second quarter, January to March, as in 1934-35 and other years of short corn crops and unfavorable hog-corn price ratios, probably will be much smaller than in the first quarter. In most years of normal corn supplies slaughter in the second quarter is about equal to that in the first quarter of the marketing year.

Hog Prices Expected to Rise Next Summer

Hog slaughter during the second half of the 1936-37 marketing year (April to September 1937) will represent a smaller than usual proportion of the total slaughter for the year, and will be somewhat smaller in numbers than that of the corresponding period of 1935-36. Marketings of butcher hogs in the late summer of 1937 are likely to be quite small in view of the prospective reduction in the 1936 fall pig crop. If corn crop prospects in 1937 are favorable, it is also probable that a larger than usual proportion of sows will be held for breeding, and the number marketed in the summer of 1937 will be small. A further advance in hog prices at that time is likely, with prices probably reaching the highest level for the 1936-37 marketing year in the late summer or early fall of 1937.

The number of hogs available for slaughter in the second half of the 1936-37 marketing year will depend largely on the outcome of the 1936 fall pig crop. The hog-feed price ratio during the summer months was such as to discourage breeding, and the extremely high percentage of sows in the inspected slaughter from July to September reflected a very heavy liquidation of brood sows, including many originally intended for fall farrowing. Although the exact extent of the liquidation of breeding stock is not known, a decrease in fall farrowings of from 10 to 20 percent from those of the fall of 1935 now seems probable.

Average Hog Prices to be Supported by Strong Demand

The average of hog prices for the 1936-37 marketing year as a whole probably will not be greatly different from that of 1935-36. Although the total live weight of inspected hog slaughter is expected to be larger, the effect of the increased supplies on hog prices will be largely offset by the further improvement in consumer demand now in prospect. A strong storage demand for hog products, especially lard, is now evident. In 1937, reduced supplies of beef cattle, as well as the strong demand for brood sows in the spring and summer will also be strengthening factors.

One of the best indications available of consumer demand for hog products is the volume of national income in the United States. National income paid out for the year 1936 as a whole will probably total 10 to 12 percent greater than the \$53,600,000,000 estimated to have been paid out in 1935. A further increase of approximately 10 percent over 1936 is expected for 1937. Little change is anticipated in foreign demand for American hog products. During the past 12 months some foreign countries have relaxed to some extent their import restrictions for hog products, especially lard. The principal factor tending to prevent any large increase in exports of American hog products in 1936-37 will not be the foreign import restrictions, however, but the relatively high prices of hog products in the United States. Foreign exchange difficulties in several European countries also will tend to prevent any large imports of American hog products.

Outlook Favorable for Increase in Hog Production

Although slaughter supplies of hogs in the current marketing year are expected to be larger than in either of the past two years, they will again be much below the average for the 5 marketing years preceding 1934-35. This situation, together with the anticipated further improvement in consumer demand for hog products in 1937, is favorable for increased hog breeding operations and production. The hog-corn price ratio, nevertheless, is now at a relatively low level, although it is expected to show some improvement in the next few months. While a current low corn-hog price ratio does not necessarily mean that hog feeding will be unprofitable by the time the sows have farrowed, the present unfavorable ratio and short feed supplies is expected to cause a rather sharp reduction in the number of sows to farrow in the spring of 1937.

The hog-corn price ratio probably will not continue throughout 1937 at the low level now prevailing. With reduced slaughter supplies after the heavy winter run of hogs is over, hog prices are expected to advance rather sharply, while corn prices are likely to weaken in the spring and summer of 1937 if corn crop prospects are favorable. By breeding time for the 1937 fall pig crop, the hog-corn price ratio may be again quite favorable both for hog feeding and for hog breeding. Under these conditions, a sharp increase in fall farrowings in 1937 will take place. A further increase in farrowings may be expected in 1938, provided another severe drought does not occur. Even with increased pig crops in 1938 and 1939, it is not expected that hog slaughter supplies will reach a volume comparable with the average for the 5 years from 1929 to 1933 prior to 1940.

Hogs: Average price per 100 pounds of packer and shipper purchases at Chicago and at seven leading markets, 1934-36.

Date	At Chicago			At seven leading markets
	1934	1935	1936	1936
	Dollars	Dollars	Dollars	Dollars
Month:				
Aug.	5.89	10.78	10.06	9.84
Sept.	6.82	10.95	9.89	9.66
Oct.	5.60	9.83	9.55	9.27
Week ended 1/				
Oct. 10	5.85	10.39	9.84	9.59
Oct. 17	5.53	10.18	9.76	9.47
Oct. 24	5.43	9.66	9.48	9.22
Oct. 31	5.38	9.14	9.22	8.91
Nov. 7	5.63	9.08	9.45	9.13

1/ 1936; corresponding weeks in 1934 and 1935.

Number of hogs slaughtered under Federal inspection, by months, 1928-32 average, 1934-36

Month	Average	1934	1935	1936
	1928-32			
	Million head	Million head	Million head	Million head
Aug.	2.8	2.6	1.7	2.3
Sept.	2.9	2.6	1.5	2.4
Oct.	3.7	3.5	2.1	3.5
Total, 3 months	9.4	8.7	5.3	8.2

Average live weight of hogs and percentage of packing sows of total packer and shipper purchases at seven leading markets, 1934-36

Date	Average live weight			Percentage of packing sows	
	1934	1935	1936	1935	1936
	Pounds	Pounds	Pounds	Percent	Percent
Month:					
Aug.	241	251	256	29	44
Sept.	236	250	232	28	28
Oct.	218	242	212	22	14
Week ended: 1/					
Oct. 10	225	248	213	28	18
Oct. 17	217	247	214	24	14
Oct. 24	214	239	210	20	11
Oct. 31	213	235	207	16	9

1/ 1936; corresponding weeks in 1934 and 1935.

Price of corn at Chicago and hog-corn price ratios, 1936

Month	Hog-corn price ratios, based on			
	: Corn, price per	: Chicago	: No. Cen. States	: United States
	: bushel, No. 3	: prices	: farm prices	: farm prices
	: yellow, Chicago	: prices	: farm prices	: farm prices
	: Cents	: Bushels	: Bushels	: Bushels
Average,	:			
Jan.-June	: 62.2	16.2	18.2	15.8
July	: 85.8	11.4	12.0	11.4
Aug.	: 113.5	8.9	9.5	9.5
Sept.	: 112.1	8.8	9.5	9.2
Oct.	: 106.6	9.0	9.6	9.4
:	:			

Stocks of pork and lard in cold storage on November 1, 1935,
with comparisons

Item	: Nov. 1	: Nov. 1,	: Oct. 1,	: Nov. 1,
	: average	: 1935	: 1936	: 1936
	: 1931-35	: 1935	: 1936	: 1936
	: 1,000	: 1,000	: 1,000	: 1,000
	: pounds	: pounds	: pounds	: pounds
Total pork	410,631	240,663	361,608	352,260
Lard	70,818	40,702	101,796	94,495
:	:			

1/ Preliminary.Pork products and lard: Exports from the United States, by marketing
years beginning in October, 1924-25 to 1935-36

Item	: Average	: Average	: 1934-35	: 1935-36
	: 1924-25 to	: 1929-30 to	: 1934-35	: 1935-36
	: 1928-29	: 1933-34	: 1934-35	: 1935-36
	: Million	: Million	: Million	: Million
	: pounds	: pounds	: pounds	: pounds
Pork products <u>1/</u> ...	380	179	104	69
Lard	743	596	142	101
:	:			

1/ Includes bacon, hams and shoulders, fresh, canned, and pickled pork.

